United Nations E/2015/69

Economic and Social Council

Distr.: General
24 April 2015

Original: English

2015 session
21 July 2014-22 July 2015
Agenda item 5 (d)
High-level segment: thematic discussion

Strengthening and building institutions for policy integration in the post-2015 era

Report of the Secretary-General

Summary

In its resolution 61/16, the General Assembly requested the Economic and Social Council to hold during its substantive session a thematic discussion to promote global dialogue on a theme from economic, social and related fields to be decided by the Council and informed by a report of the Secretary-General. In its decision 2015/206, the Council decided that the discussion in 2015 should focus on the theme "Strengthening and building institutions for policy integration in the post-2015 era".

Institutions are essential enablers of development, given that they provide and maintain the "rules of the game" that shape and regulate human action. The role of institutions will be fundamental in adopting the more integrated approaches to policymaking that are necessary for the implementation of the post-2015 development vision. This role poses significant analytical, operational and political challenges that will require institutions to be able to work across policy domains and organizational boundaries and to access data from multiple sources; institutional coherence and coordination at all levels of policymaking will be required to ensure policy coherence across sectors, governance levels, systems and generations. Governance structures for sustainable development would need to be more flexible, horizontal, inclusive and adaptable to remain relevant. Institutional innovation will be essential. With regard to the role of Governments, ownership, transformational leadership, communication, both within Governments and between public and private institutions, and capacity-building will be pivotal.

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I. Introduction

1. Good and effective institutions have been recognized as critical enablers and outcomes of development. They are not only essential to translating development objectives into policies and practices, coordinating activities and mobilizing people and resources for their realization, but are also the very embodiment of society's development vision and values.

2. Achieving the transformative vision of the post-2015 development agenda will require removing social, political, economic and environmental constraints to allow a more integrated approach to development. This will involve an aggregated and coherent set of actions at all levels of governance by the full range of stakeholders: Governments, intergovernmental organizations, the private sector and civil society. Such enabling environments will be needed at all levels to ensure that the transformation that is necessary to support implementation of the sustainable development goals and the attainment of sustainable development takes place.

3. Institutions will be essential to this transformation. The first step will be to define the nature and characteristics of appropriate institutions that, by promoting policy integration and coherence across diverse sectors, governance levels and systems, can act as both enablers and outcomes of such a transformation.

4. The present report represents a conceptual discussion of institutions and institutional arrangements that could best support integrated policymaking to tackle the goals and challenges of the post-2015 period. In this context, policy integration entails intersectoral interaction that leads to a single joint policy for the sectors involved, and policy coherence aims at adjusting sectoral policies to make them mutually enforcing and consistent.[1] The discussion will explore, on the basis of existing experiences and studies, the institutional requirements and capabilities needed to adapt to the aspirations and challenges of the new agenda as well as the type of institutional changes that will be called for.

5. The present report should be read in conjunction with the report of the Secretary-General on the theme for the 2015 session of the Economic and Social Council, "Managing the transition from the Millennium Development Goals to the sustainable development goals: what it will take" (E/2015/68).

II. Institutional requirements for sustainable development

6. The post-2015 development agenda will be based on two overarching objectives — poverty eradication and sustainable development — covering a wide range of goals and targets. Such an ambitious agenda will require strong institutions to generate the necessary synergies across a broad range of policy areas and ensure coordinated and mutually reinforcing policies. Institutional coherence and coordination at all levels will help to ensure more integrated policy frameworks. A thorough analysis and review of existing institutional structures and the way that they work will therefore be essential to ascertain that they are fit for purpose.

[1] See Evert Meijers and Dominic Stead, "Policy integration: what does it mean and how can it be achieved? A multi-disciplinary review", paper prepared for the Conference on the Human Dimensions of Global Environmental Change on the theme "Greening of policies: interlinkages and policy integration", Berlin, December 2004.

7. A wide range of research provides compelling arguments for the critical importance of institutions in supporting countries' development trajectories.[2] Economic, political, social and related institutions, and good governance, were critical to progress on the Millennium Development Goals and will arguably play an even bigger role in the post-2015 development agenda.

8. The 17 goals and 169 targets proposed by the Open Working Group of the General Assembly on Sustainable Development Goals (see A/68/970 and Corr.1) has increased the number of potential synergies, interlinkages and trade-offs that will need to be taken into consideration in policymaking and implementation. For example, it has been observed that progress on ending poverty (sustainable development goal 1) cannot be achieved without progress on the food security target under sustainable development goal 2, macroeconomic policies relating to targets on full and productive employment and decent work under goal 8 and the reduction of inequality under goal 10, and without enhancing resilience to climate change under goal 13. Success in these and other areas will lead to better health and well-being, thus contributing to the achievement of goal 3.[3] Understanding this network of interdependencies and their implications for institutional arrangements will be essential to effective policy integration in the post-2015 context.

9. Policy integration for a successful transition to the post-2015 development agenda will occur only if institutional barriers to integrated policymaking are reduced, transparency enhanced and synergies across sectoral policy objectives increased. This will strengthen cooperation between institutions, specialists and other stakeholders working across the broad range of sectors and policy areas covered by the agenda. Integration is a challenge because of such factors as conflicting mandates and priorities among policymakers in different sectors and at different governmental levels. In addition, many institutions, especially public institutions at all levels, were designed in different contexts and have struggled to keep pace with fast-moving global changes.

10. Nevertheless, policy integration, whether between governance levels (national, regional or local, i.e., vertical integration) or between units, departments or ministries at any governmental level (i.e., horizontal integration), is an essential precondition for achieving more sustainable development.

11. A concerted national effort to assess current institutional capacity at the national level will be the principal driver of success in the post-2015 context because the results will enable countries to develop precise frameworks for improving policy coherence for sustainable development across policies. This assessment should be complemented by a similar review of institutional arrangements at the regional and global levels to ensure that national efforts to strengthen institutions for policy integration are supported by the international community coherently. That will not be an easy task at any level, given that most institutions, including those that do coordinate to some degree, focus primarily on

[2] Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London, Profile Books, 2012) and Timothy Besley and Torsten Persson, *Pillars of Prosperity: The Political Economics of Development Clusters* (Princeton, New Jersey, Princeton University Press, 2011).

[3] International Council for Science and International Social Science Council, *Review of Targets for the Sustainable Development Goals: The Science Perspective* (Paris, International Council for Science, 2015).

sector-specific priorities and objectives set by their often different constituencies and might be resistant to improving horizontal or vertical policy coherence and unwilling to accept certain trade-offs.[4] Strong political leadership, capacity-building and mechanisms for broad-based participation, accountability and policy effectiveness will be critical requirements for the necessary institutional strengthening to take place.

Taking an integrated approach to policy formulation

12. To avoid conflicts and contradictions between policies, an integrated approach to policymaking for sustainable development needs to be adopted that focuses on the interlinkages between policy areas and objectives. For the purpose of the present report, integrated approaches to policy formulation, or policy integration, denotes the "management of cross-cutting issues in policymaking that transcend the boundaries of established policy fields, which often do not correspond to the institutional responsibilities of individual departments".[5] Such an approach will need an institutional framework and structures that will enable it. Institutions will need to be able to pursue multiple but well-articulated and agreed objectives, taking into consideration how efforts to attain one goal can have an impact on efforts towards the achievement of another.[6]

13. Institutions will need to work "horizontally", i.e., across ministries and other policymaking and implementation bodies, to capitalize on potential efficiencies and synergies between goals and to avoid fragmentation. One lesson learned from the experience of the Millennium Development Goals was that having separate goals that were related but not clearly integrated with one another, such as Goals 4, 5 and 6, encouraged institutions to organize their planning, financing, procurement, delivery, monitoring and reporting vertically in relation to each Goal, rather than to look holistically at health systems and policies that could strengthen sustainable health systems and progress across the three Goals (and on other critical health challenges not included in the Goals framework).[7]

14. The Secretary-General has noted that most consultations on and input for the post-2015 preparations have underscored the need to integrate the three dimensions of sustainable development across the new agenda. Several key elements have been suggested to encourage integration, including norm-based policy coherence at all levels, corresponding reform of global governance mechanisms and a renewed, effective global partnership for sustainable development. These elements would ideally be based on shared principles such as solidarity, cooperation, mutual accountability and the participation of Governments and all stakeholders (see A/69/700).

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[4] Matt Andrews, *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions* (Cambridge, United Kingdom, Cambridge University Press, 2013).

[5] Meijers and Stead, "Policy integration: what does it mean and how can it be achieved?", p. 1.

[6] Alex Volkery and others, "Coordination, challenges and innovations in 19 national development strategies", *World Development*, vol. 34, No. 12 (2006).

[7] Jeff Waage and others, "The Millennium Development Goals: a cross-sectoral analysis and principles for goal setting after 2015", *Lancet*, vol. 376, No. 9745 (2010) (citing the Taskforce on Innovative International Financing for Health Systems, "Constraints to scaling up and costs: Working Group 1 report" (Geneva, World Health Organization, 2009)).

15. Most policies, including, for example, those on sustained, inclusive growth, job creation and social protection, have implications for one or more of the three dimensions of sustainable development; however, such policies will generally have implications for, or linkages with, other dimensions and sectors as well. It will be essential to take account of their direct and indirect impact to facilitate the formulation of policies that will enhance synergies across all dimensions. In some cases, policies can be elaborated as integrated packages that together promote economic development, social equity and environmental protection.

16. One of the strengths of the sustainable development approach lies in the importance that it places on looking not just at symptoms of development challenges but also at their underlying causes; this, in turn, can enable a more integrated approach to addressing them. For example, the multiplier effects of clean water infrastructure or sustainable energy provision have economic, social and environmental benefits. Policy decisions that are made in one sector can have significant impacts on others and tensions may arise from real or perceived trade-offs between various objectives. Careful assessment would therefore be required to reconcile competing policy objectives, build policy coherence and strengthen existing coordination mechanisms. A critical challenge will be to identify policy trade-offs and contradictions between policy areas (and levels), for example, between growth and environmental sustainability, between trade and employment, and between energy, water and food. Appropriate solutions will depend on the national context and priorities.

17. The challenge facing countries is how to revise their national development strategies, including sectoral strategies, macroeconomic policies and social protection and labour market policies, to ensure that they are mutually reinforcing. To that end, it is important to identify interlinkages — or policy nexuses — where converging issues can be tackled together to develop a cohesive and integrated plan, for example, addressing the impact of climate change on multiple sectors (agriculture, water, energy, production and the labour market). Discussion of such nexuses can define the types of institutions that will be needed to manage potential trade-offs and promote mutually beneficial policies.

Effective and inclusive service delivery

18. In the post-2015 development framework, leaving no one behind will require institutions to work more effectively and inclusively in providing services. Consultations on the new development agenda have highlighted the urgent need to deal with the deficit in trust between people, institutions and Governments. Inclusiveness and equity will need to be embedded into institutions, in particular at the national level, to deliver commitments to pursue progress on behalf of all people, with particular attention to groups that have traditionally been excluded.

19. Given the inclusiveness of the consultation process on the post-2015 development agenda (more than 7 million people have taken the MyWorld survey),[8] much attention is being given to the capacity of institutions to ensure inclusion and participation. There is a need to build capacity to be inclusive in policy development and in service delivery, as well as in promoting civic engagement. Building the

[8] See https://myworld2015.files.wordpress.com/2014/12/wethepeoples-7million.pdf.

capacity to set in place and manage inclusive processes for policy development and service delivery will be critical in this regard.

20. Capacity to carry out core government functions, such as justice and security, and ensuring that services are delivered inclusively is especially important in fragile States in which building resilience and restoring confidence between the authorities and communities is a crucial element of peacebuilding.[9] Successful approaches in such States should be rooted in the national context, building on community-based mechanisms to harmonize traditional and modern institutions and develop a shared vision and a clear mission for public institutions that promote peace and sustainable development.[10] Building accountability and participation from the bottom up will help to build trust and ensure that people can influence decision-making.

21. Flexibility and innovation should drive the design of inclusive and effective institutional strategies for effective service delivery. Information and communications technology, especially e-government functions, have often played an integral role in overall institutional strengthening and improvement of service delivery capacity.[10] They can indeed facilitate information exchange and feedback processes to improve institutional effectiveness and fill gaps in delivery for specific service users. They can also facilitate communication between Governments, public institutions, citizens and other stakeholders to increase awareness of the nature and requirements of the sustainable development goals. This will be especially important in managing the transition to the post-2015 development agenda.

Institutional requirements at the national and subnational levels

22. Assessing institutional structures at the national level is necessary to understand the processes and constraints that influence implementation of development objectives. National-level governance systems and institutions generally influence how public policies are designed and implemented; their capacities determine the extent to which such policies will be effective.

23. Several mechanisms to promote horizontal cooperation among national institutions can be conducive to integrated policymaking. First, establishing such organizational arrangements as interdepartmental committees, commissions and working and/or steering groups that convoke various departments and ministries can help to overcome barriers resulting from different technical perspectives and promote cooperation between experts from different sectors. This is sometimes referred to as the "whole of Government" approach, in which government departments and agencies combine their skills and knowledge to work together on policy implementation, programme management and service delivery. The effectiveness and legitimacy of the mechanisms depend on their being supported with sufficient resources, capacities and political mandates.

24. Second, direction by a central body can help in coordinating the outcomes of such institutional arrangements and supporting the coordination of policies of ministries or departments. "Centres of Government" (i.e., offices of heads of Government or prime ministers) have been highlighted as the key convenors best

[9] Derick W. Brinkerhoff, ed., *Governance in Post-Conflict Societies: Rebuilding Fragile States* (Abingdon, Oxon, Routledge, 2007).

[10] *World Public Sector Report 2010: Reconstructing Public Administration after Conflict: Challenges, Practices and Lessons Learned* (United Nations publication, Sales No. E.10.II.H.1).

placed to provide leadership at the highest levels, join together policy interests, raise awareness around synergies and trade-offs and push for consensus. The importance of their role became especially clear during the most recent global economic and financial crisis when Governments were responsible for delivering "joined up" stabilization and recovery plans cutting across national financial, economic and social sectors.[11]

25. Third, intersectoral strategies, programmes and policies, which require cooperation between departments or ministries in terms of both design and implementation, should embed collaboration into the organizational culture of their respective administrative bodies and procedures. This can be done, for example, by designing objectives that cut across sectoral divisions, as will be required by the post-2015 development agenda, accompanied by clear incentives to collaborate on intersectoral initiatives.

26. New institutional structures have recently been created or reconfigured to take sustainable development into account. Many countries have established national sustainable development-related commissions, departments, focal institutions or programmes to determine national sustainable development priorities, advise public institutions, monitor progress against objectives and promote public knowledge of and support for the three dimensions of sustainable development. Many countries have been taking an "integrating approach" and ensuring a bottom-up path to sustainable development through the establishment of sustainable development councils, the members of which usually include leading figures from government-affiliated institutions, science, business and other cultural and social entities. Those bodies have been said to be generally effective in promoting the sustainable development concept, but their impact on policymaking is varied and dependent on the extent to which Governments have embedded genuine decision-making authority into their structures.

27. Subnational and municipal governments also have an important role to play in overcoming silos and taking an integrating approach to policy. Many municipalities provide the services that support economic activities, social integration and environmental protection, in part because social and environmental problems as well as economic opportunities and innovation tend to be concentrated in cities. Because of their smaller size, potential for nimble responsiveness, limited geographic scale and shorter distance between policymakers and constituents, cities have become some of the leading practitioners of policy integration for sustainable development, having developed many good practices worthy of consideration by national, regional and international institutions. City and local governments have also proven to be good sources of locally derived and issue-oriented strategies, policies and solutions that take an integrated approach, demonstrating the importance of a best-fit concept of institutional arrangements for policy integration rather than one size fits all.

Institutional requirements at the regional level

28. The increasing interdependence of and economic, financial and environmental interconnectedness between countries highlights the potential risks posed by

[11] Organization for Economic Cooperation and Development (OECD), "Policy coherence for inclusive and sustainable development", OECD and Post-2015 Reflections, Element 8, Paper 1 (Paris, (n.d.)).

negative spillovers of policies and processes from one country to another, especially in those countries linked by regional integration. It also underlines the opportunities for and importance of more regional (and global) approaches to taking on current and emerging challenges to generating economies of scale within regions that would both promote greater opportunities for countries in the region and minimize potential policy trade-offs.

29. Institutional frameworks seeking to strengthen regional ties and collaboration are also crucial in the current context, especially for developing countries, given the state of policy space in the international financial system. For example, regional financial and monetary cooperation can help to enlarge the policy headroom in which developing countries can apply pro-growth macroeconomic policies by providing facilities for short-term (balance of payments) and long-term (investment) financing and for currency or payment systems to facilitate intraregional trade and service provision. Intraregional collaboration with regard to large-scale or multipartner infrastructure networks can also make an important contribution.

30. Regional policy coherence, coordination and partnership are especially important for the expansion of trade opportunities, markets and investments, as well as for the promotion and sharing of knowledge and innovation, and can increase national and regional competitiveness and nurture national capacity to promote sustained and inclusive growth, poverty eradication and environmental sustainability. Studies have shown how regional integration can be a powerful instrument for fostering structural transformation and promoting inclusive growth. It can promote infrastructure development and shared transport networks (e.g., transport corridors), which are crucial for many countries, especially countries in such special situations as landlocked developing countries and small island developing States, if they are to participate in the global economy and join global value chains. Enhanced regional coordination is also crucial for addressing transboundary development concerns, especially of an environmental or social nature.

31. Recent initiatives that target countries in special situations in particular, such as the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, have institutional implications and requirements that need to be aligned with the post-2015 development framework.

Institutional requirements at the global level

32. In the face of an increasingly globalized and interconnected economy and society, national efforts will not be sufficient to remove systemic obstacles to the implementation of the sustainable development goals, especially in the poorest countries and in areas that are governed by agreements, rules and institutions at the global level. While regional integration efforts can contribute greatly to many areas such as trade, investment and transport, broader achievement of the post-2015 development agenda will be possible only if there is an enabling global environment based on greater policy coherence and cooperation.

33. International cooperation can play a critical role in helping to identify a mix of macro-level and sector-specific productive development policies that are geared towards developing productive capacities, expanding employment and increasing labour productivity as well as increasing national wealth and raising living standards. In addition, international cooperation can help countries to promote

monetary, fiscal and structural factors that reinforce one another nationally and that are supported by coherent action and regimes at the global level. At the same time, national Governments will retain the prerogative in decision-making and policymaking that reflect their individual challenges, needs, circumstances and priorities. While some policy constraints at the national level may help to ensure a better functioning, efficient global economy, the reduction of the policy space of developing countries can undermine their efforts to achieve the twin objectives of poverty eradication and sustainable development.

34. Greater coherence between policies at the global and national levels could help to take on and resolve such broad systemic challenges as debt restructuring, access to markets and sustainable international financial flows in ways that would benefit all countries and all societal groups, allowing economic transformation to take place.

35. For countries in special situations, such as the least developed countries, this would require breaking the vicious circle of underdevelopment that keeps countries from making progress. The least developed countries remain vulnerable to systemic risks and continue to be marginalized in the world economy. The "rules of the game" for international development cooperation and global institutions would need to be challenged in order to address the structural weaknesses typical of those countries. A more supportive international development architecture for the least developed countries would involve addressing imbalances, bottlenecks and opportunities in the areas of finance, trade, investment, commodities, technology and climate change. Continued and innovative international support mechanisms and enhanced South-South cooperation would also be essential.

36. The challenge for the middle-income countries is to deepen their industrialization process through a transition to higher value-added activities and strengthen systems of social protection. A more supportive global environment should promote inclusion in the formulation of global policies and regimes that boost resilience in all countries and generate conditions for stronger and sustained growth and inclusive development.

Implications for development cooperation in the post-2015 development agenda

37. The post-2015 development agenda represents a paradigm shift in international development towards a universal, integrated and transformative approach to sustainable development on the basis of a renewed global partnership. This will have institutional, financial and policy implications for all actors, including development cooperation partners. The scope of the policy coherence agenda has expanded and concerns all countries regardless of their development level. Furthermore, the Open Working Group of the General Assembly on Sustainable Development Goals stated clearly, in its recommendations concerning goal 17, that policy and institutional coherence should be an integral part of the means of implementation of the post-2015 framework (see A/68/970 and Corr.1).

38. Lessons from the Millennium Development Goals experience highlight the need for a holistic approach to ensure the implementation of the goals, especially where efforts can be multiplied by looking across policy silos in pursuit of effective development cooperation. This will become even more important in the post-2015 agenda, where the scale — and range — of capacities, knowledge-sharing and resources needed for its implementation will be much greater than was required for

the Millennium Development Goals. In this context, official development assistance will remain an important instrument for progress and will require an increased focus on areas and populations where poverty is most prevalent as well as in sectors that are unlikely to attract other sources of investment or cooperation.

39. Development cooperation has begun increasingly to include mechanisms and actions to enhance policy coherence for development in all sectors that can have an impact on sustainable development and poverty eradication and a wide range of activities that do not explicitly fall within the mandates of traditional development cooperation actors, such as international trade or climate negotiations. The widening group of actors, who operate with different modalities and according to different sets of principles and objectives, being drawn into development cooperation also brings new opportunities as well as challenges in terms of institutional coordination. Institutional capacity-building to manage all sources of development financing and all forms of development cooperation effectively will become more important in the post-2015 context. Sharing of knowledge and national experiences and expertise in managing the development process will be critical in this regard.

40. Among development cooperation actors, transfers, whether of funds or knowledge, are seen as less important compared with the impacts of policy changes at the national and international levels that could have positive knock-on effects for developing countries. At the national level, such changes might include a review of the effects of public policies on various aspects of the post-2015 development agenda. The Center for Global Development has designed a commitment to development index[12] to assess which wealthy nations are helping poor ones the most. The index measures annually the efforts of 27 OECD countries in seven policy dimensions, including aid, trade and migration, combining the results to determine the "development-friendliness" of each country.

III. Institutional coherence at the regional and global levels

41. In an interconnected world, achieving sustained progress in creating jobs, reducing poverty and inequality, establishing sustainable patterns of consumption and production and managing climate change will require rebalancing the relations between markets, States, societies and users of natural resources. Greater consistency in addressing the economic, social and environmental agendas will be needed so that policies and regulations in one area do not hamper progress or negatively affect outcomes in the others. More collective action will be needed to remove systemic obstacles to the more balanced approach that is beyond the reach of individual nations, and global and regional institutions will consequently have a bigger role to play.

42. However, global governance systems have not kept pace with worldwide trends in accelerating economic globalization, trade and capital flows, urbanization, migration, environmental degradation and climate change. As described earlier, multilateral regimes, institutions and policies governing the various dimensions of sustainable development are generally not equipped to manage and capitalize on the growing interdependence between and within policy areas or to reduce current contradictions. Consequently, some areas of common interest, such as migration and

[12] See www.cgdev.org/initiative/commitment-development-index/index.

commodity markets, are sparsely, or not at all, covered by global governance mechanisms while others, such as trade and the environment,[13] are overregulated by myriad arrangements with different rules and provisions, causing fragmentation, increased costs and reduced efficiency.[14]

43. The new development agenda needs regional and global governance structures that can fill existing institutional gaps and better visualize and explore the linkages across the proposed sustainable development goals. This would include setting targets and timelines that can best fit regional and global priorities and providing mechanisms to foster policy coherence across the dimensions of the sustainable development goals and that are rooted in substantive, inclusive dialogues among all stakeholder groups.

Preparedness at the global level

44. Multilateral institutions, including those that are part of the United Nations system, have made some progress in bridging the gaps by integrating some dimensions of sustainable development into their development frameworks, disseminating information on policy instruments as well as applying them in their programmatic work. The World Bank, for example, has integrated poverty reduction and environmental protection into its assistance to developing countries. It has also become a major advocate of poverty reduction, defining poverty standards and regularly assessing global, regional and national poverty levels and trends. The United Nations Environment Programme has advocated environmental impact assessments and other policy instruments for integrating environmental protection into development policy. At the intergovernmental level, the Economic and Social Council and its former Commission on Sustainable Development have promoted the concept of sustainable development and policy integration and various United Nations conferences have provided global forums for exchanging views on the issue.

45. The United Nations Conference on Trade and Development has taken the lead in bridging the gap between development and trade by providing a forum and specific mechanisms, for example, the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries, to generate synergies in the areas of trade, inclusive growth and environmental sustainability. In the aftermath of the financial crisis of 2008, the Group of 20 has strengthened financial regulation and supervision, improving financial integrity and infrastructure. The limited composition of the Group and the lack of appropriate monitoring and accountability mechanisms, however, have constrained the regulatory capacity of that forum. More recently, the New Development Bank operated by Brazil, the Russian Federation, India, China and South Africa and the Asian Infrastructure Investment Bank were established to fill institutional gaps in development cooperation and financing of South-South development cooperation.

46. Many multilateral institutions, however, often work in semi-isolation from one another, failing to promote a comprehensive approach to sustainable development.

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[13] United Nations System Task Team on the Post-2015 United Nations Development Agenda, "Global governance and governance of the global commons in the global partnership for development beyond 2015" (January 2013).

[14] *Global Governance and Global Rules for Development in the Post-2015 Era* (United Nations publication, Sales No. E.14.II.A.1).

Managing economic, social and environmental regimes in ways that are mutually reinforcing, where trade-offs can be resolved to balance the needs of current and future generations effectively, remains a key challenge that is further compounded by fragmentation within Governments.

47. Institutional gaps and incoherence in existing mechanisms, especially among institutions with a macroeconomic or an environmental focus, will need to be bridged if they are to develop actionable tools and policy advice for sustainable development. Considerations of environmental sustainability, in particular, will need to be mainstreamed more systematically across all institutions.

48. The new global architecture for sustainable development, which includes the General Assembly, the Economic and Social Council and its subsidiary bodies, the high-level political forum on sustainable development and the United Nations Environment Assembly, is intended to promote greater policy coherence and integration among the three policy dimensions of sustainable development through dialogue and sharing of experiences as well as to provide a mechanism to monitor progress and offer policy guidance to support implementation. For this institutional framework to be effective, it will need to fill the regulatory and implementation deficit that has thus far characterized governance in the area of sustainable development. Innovative approaches to decision-making will need to be considered that explore and expand on the interlinkages with other international institutions and processes that might affect sustainable development outcomes. This could be supported by a strong monitoring and review framework that builds on existing mechanisms and reporting processes and is highly participatory, broadly accessible and based on solid evidence.

49. Greater coherence among current United Nations processes, in particular those concerning the post-2015 development agenda, the third International Conference on Financing for Development, the Third United Nations World Conference on Disaster Risk Reduction and the United Nations Framework Convention on Climate Change, and between those processes and recurrent United Nations processes relating to sustainable development, including those in the areas of the oceans, biodiversity, health, food and agriculture, education, tourism and broadband connectivity, will also facilitate institutional preparedness for the post-2015 development agenda.

Preparedness at the regional level

50. Regional institutions contribute to connecting national and regional practices and global rules in a flexible and decentralized manner. They can complement multilateral regimes and treaties by providing regional standards and accountability frameworks. They can also help to provide a stronger regional voice in intergovernmental negotiations and thus broaden regional and national policy space in managing the post-2015 development agenda.

51. A plethora of institutions exist to promote regional cooperation in taking on common development challenges and in formulating more effective and comprehensive responses. Such institutions provide a platform for policy dialogue and for sharing knowledge, expertise and lessons learned in managing aspects of the development process. In some cases, they have also generated a common vision and model for prosperity in each region.

52. The African Union, for example, has expanded from a forum for policy dialogue into an institution that sets norms on matters of governance, development and regional integration. A strong governance structure, consisting of the African Union Commission, the Pan-African Parliament and the African Peer Review Mechanism, supports the work of the African Union, providing platforms for broad-based participation and accountability. The African Union has been able to articulate a new common vision and agenda for Africa in 2063 and an African common position on the post-2015 development agenda.

53. In Latin America and the Caribbean, the Community of Latin American and Caribbean States, established in 2010 as a mechanism of political partnership, has emerged as a platform for regional integration. It has made important strides in promoting successful financial policies, advancing regional economic integration and coordination around foreign policy and conflict resolution. In this regard, it joins a range of other organizations in the region, each with its own niche and scope of coverage. A key challenge for the region would be to maximize the potential synergies of working in harmony across organizations and groups in advancing its sustainable development agenda.

54. In Europe, the European Union has put in place over the years a number of governance structures to promote policy coherence for development throughout European Union institutions and member States. Yet, aligning non-developmental policies with development objectives, both within member States and at the Union level, remains a challenge and the results to date have been limited. A new policy coherence for sustainable development approach has been proposed by OECD to support members and partners in adapting to and implementing the post-2015 conceptual framework. This approach builds on lessons learned from earlier experiences. It is intended as a tool for integrating all three dimensions of sustainable development into policymaking, taking into account long-term effects for future generations as well as spillover effects on other countries outside the Union. It focuses on synergies across sectors, shifting from a "donor-centred", siloed and sectoral approach to policymaking. A key challenge for the implementation of this approach would be to set a results-oriented framework for monitoring progress.

55. In Asia, the Association of Southeast Asian Nations (ASEAN) is another successful regional integration effort that fosters economic, trade and political cooperation. Its vision is based on the principles of an open, outward-looking, inclusive and market-driven regional economy, consistent with multilateral rules and adhering to rules-based systems for effective compliance and implementation of commitments. The ASEAN framework for economic integration for the decade from 2011 to 2020 will be based on the integration of the financial sector, for which targets and directions over the period will be established and supported by ASEAN-wide regulatory arrangements, including mechanisms for crisis prevention and management. It remains to be seen to what extent current policy coherence efforts would expand beyond the financial sector.

56. Regional development banks and United Nations regional commissions have also provided important platforms to promote policy coherence and to address sustainable development imbalances at the regional level. Regional banks have been able to promote and support common approaches and solutions to regional

economic and financial imbalances, while United Nations regional commissions have encouraged multi-stakeholder and multisectoral collaboration.

57. To collectively fill gaps in policy coherence or implementation, most regional institutions and governance structures would have to assume genuine policymaking, monitoring and cooperation roles, providing States with models and solutions to tackle challenges. This would entail developing capacity on the part of these institutions to formulate specific policy approaches and standards for each region, backed by strong mechanisms to monitor implementation and promote accountability for results.

58. Broad-based participation will be essential to this approach in order to build on the collective knowledge of the full range of stakeholders and thereby contribute to strengthening regional and global standards in the economic, trade, financial, social and environmental arenas so that global trends can be managed more sustainably at all levels.

59. The governance challenge will be considerable. It will entail changing institutional structures and operational modalities of current institutions. Sharing of knowledge and experiences, broad-based participation, inclusiveness and communication together with open data from all actors would be key features of effective post-2015 global and regional institutions.

IV. Capacity issues in institutional preparedness

60. Policy integration has been identified as central to the sustainable development paradigm and is presented as a distinct target.

61. Formulating integrated and coherent policies to achieve the sustainable development goals is a daunting analytical, political, structural and operational challenge, especially for developing countries. It entails drawing on knowledge, skills and data from multiple domains and sources to conduct cross-sectoral and cross-temporal analyses of complex issues; applying integrated approaches and tools to identify viable, evidence-based policy options that manage short-term and long-term objectives and reconciling competing demands generated by different goals. It also requires facilitating a broad-based political consensus on priorities and action; mobilizing adequate resources; applying innovative, flexible modalities to deliver public services across multiple government agencies and jurisdictions; tracking progress; and defining corrective action.

62. Institutions at all levels, including Governments, the United Nations and civil society organizations, will need to learn how to remain effective and relevant in this context. Their effectiveness, resilience and sustainability will ultimately depend on their being able to promote and support holistic approaches to complex problems and environments so that sound regulatory and policy frameworks can emerge.

Capacity requirements

63. Institutional competence in policy integration in the post-2015 context should be measured in terms of an institution's capacity to learn, innovate and adapt to a changing and unpredictable environment, make course corrections, build new capacity when needed to resolve new problems, work collaboratively across

organizational boundaries and mobilize resources across sectors and organizations to deliver policies and services.

64. "Thinking ahead, thinking again and thinking across"[15] will be needed, where thinking ahead means being able to perceive early signals of emerging issues and developments in the social, economic, environmental, technological and political environments; understanding how such trends may evolve into scenarios of a plausible future that may affect the mission and effectiveness of an institution; and being able to articulate how and why these scenarios would require different sets of strategies and policies. This capacity would enable organizations to conceive strategies and policies to adapt to a changing environment.

65. "Thinking again" is having the analytical and problem-solving capability to challenge the performance of existing policies and the appropriateness of existing goals and strategies and to reinvent current policies and processes when the environment changes to achieve better results. It means looking beyond the legacy of a particular policy or programme and questioning its relevance when circumstances change. It is fact-based, using actual data, measurements and feedback to ask questions about underlying causes of observed results. Building and strengthening that capability might require periodically bringing in new people with backgrounds, skills and views different from those of existing staff and leaders.

66. "Thinking across" is the capability to cross boundaries to learn from the experience of others to garner new ideas and solutions, recognizing that others' ideas, systems and experiences may hold lessons that, if adapted and reassembled in other situations, can lead to other outcomes. It entails a deeper understanding of why others adopted alternative approaches to similar issues and how their history and circumstances influenced the selection of policies and the design of programmes. The capability of thinking across enables institutions to go beyond familiar domains and communities to find and introduce fresh ideas and innovations into an organization, enabling the organization to change and adapt to the environment. It requires leaders to be knowledge brokers so that new ideas are not rejected too early and too easily. It also requires strong knowledge networks and platforms for learning and sharing experiences and knowledge of tried and tested approaches, albeit in different countries, domains or cultures.

67. These capabilities would need to be embodied in people, processes and organizational structures and manifest in institutional strategies and policies. Leaders at all levels of governance will be the key drivers of institutional change that engenders new modalities and capabilities.

68. According to the transformational leadership theory developed by Bernard Bass, strong and transformational leadership will be particularly critical in creating a culture of change in organizations. A precondition for institutional innovation is for people to continually ask questions about what the future hold and what the organization needs to do to be prepared. Leaders can also create political coalitions at all levels of governance that — if they last long enough and are strong enough — can support and implement the necessary institutional reforms to adapt to a range of plausible futures. While leaders can engineer change, for change to continue,

[15] Neo Boon Siong, "Strategic thinking and dynamic governance", paper prepared for the first Central Asia Regional Economic Cooperation Institute Executive Leadership Development Program, Singapore, August 2009.

organizational processes have to be designed to spur, sustain and support continuous adaptation and guide the operations and behaviour of leaders.

Institutional innovations for policy integration

69. Institutional innovation will be essential if policy integration is to work in practice. New forms of collaboration and partnerships will be required to address the complexities and challenges of the post-2015 development framework effectively. The depth of institutional adaptation or change will depend on the capabilities and nature of each institution, whether it is legislative, executive, judicial or operational. Not all institutions may need to reform. The need to maintain stability within a society should be a key consideration in this decision.

70. Broadly speaking, there is a need for institutional arrangements that allow more horizontal, collaborative, participatory and democratic decision-making to solve complex problems that span numerous administrative boundaries and institutions. They should facilitate the engagement of the full range of stakeholders at all stages of the policy process and work across structural boundaries to pool knowledge, skills and resources from various sources beyond the capacity and purview of individual organizations.

71. New forms of governance have emerged over the years to address perceived institutional gaps in existing multilateral regimes, in particular in the context of climate governance. The climate policy arena is characterized by intergovernmental treaty-making, civil society-led standard-setting, self-regulating transnational corporations and hybrid governance arrangements such as multi-stakeholder partnerships. Transnational networked governance, in particular involving multisectoral collaboration between civil society, government and market actors, has emerged as a response to the perceived regulatory and implementation deficits that permeate multilateral climate regimes to increase their effectiveness and the legitimacy of multiple actors.

72. Partnerships, networks and networked governance in their various combinations[16] are seen as new, more flexible and horizontal modes of governance that build on non-hierarchical steering, where multiple organizations or units of authority and power that are not formally subordinated to one another operate in an interconnected and interdependent manner, creating horizontal channels of collaboration and knowledge exchange. The institutional glue of such networks might include authority bonds, exchange relations and coalitions based on common interest. Successful networks ultimately depend on successful relationships among members.

73. Enhanced learning, more efficient use of resources, increased capacity to address complex problems, greater competitiveness and better delivery of services are among the most cited advantages of network coordination. On the other hand, critics, have claimed that using the partnership model as an implementation mechanism can lead to a hollowing out of the State, reinforcing neoliberalism and accelerating privatization of environmental governance. It can also increase the influence of business, power inequalities, skewed representation of stakeholders,

[16] Laurence J. O'Toole, Jr., "Treating networks seriously: practical and research-based agendas in public administration", *Public Administration Review*, vol. 57, No. 1 (1997).

fragmentation of global governance, reinforcement of elite multilateralism and the retreat of State responsibility in the production of public goods.[17]

74. In designing effective governance structures that are more flexible, horizontal, non-hierarchical and multi-stakeholder, a proper balance would have to be found between horizontal steering and accountability; efficiency and inclusiveness; and flexibility and stability. Government leadership and ownership will be key to providing legitimacy to new forms of governance at any level. Decision-making, however, could be supported by new approaches and processes for policy formulation, implementation and scrutiny that would allow new thinking to emerge and respond to the rising demands and expectations of a broader range of stakeholders.

75. Multi-stakeholder engagement at the various stages of the policymaking process, from priority-setting to policy formulation, implementation and evaluation, would be an essential component in the creation of vibrant, dynamic and multidisciplinary processes that can challenge existing assumptions and push the boundaries of knowledge and practice. Open and effective communication, including through the use of social media and other information and communication tools, will be critical to increase understanding of the development vision and challenges underpinning the sustainable development goals among all actors as well as to clarify the roles and responsibilities of stakeholders in their implementation.

76. Building the capacity of government agencies and national stakeholders to engage with the social development goals agenda and with one another on the basis of their specific strengths will be essential. Government institutions themselves might need to function differently and more effectively to respond to the demands of the new agenda. They would need to work in a more collaborative, participatory and transparent fashion to overcome sectoral fragmentation. This might require changing norms, rules and regulations that govern the way in which government ministries and departments work together and provide incentives for inter-organizational cooperation, including through joint budgeting. In some countries, this may entail strengthening the functioning of all public institutions, including parliaments and public administration.

77. Effectively engaging other stakeholders on the basis of their unique strengths to add value to problem-solving will be one of the most formidable challenges for most countries. While multi-stakeholder engagement and partnerships can facilitate policy integration, it can be difficult to manage, requiring strong government leadership, clear communication and effective mechanisms to guide collaboration in ways that build trust, responsibility and accountability. In some instances, new legislation to allow multi-stakeholder engagement in policymaking may also be required.

78. Capacity-building will be critical to ensuring that all stakeholders, especially civil society and the private sector, are competent, understand the challenges ahead and their value added in the development process, and are provided with the right set of incentives and sense of ownership to engage. The implementation of the post-2015 development agenda may ultimately require not just institutional reforms but something akin to an institutional paradigm shift in all sectors. This will be

[17] Karin Bäckstrand, "Accountability of networked climate governance: the rise of transnational climate partnerships", *Global Environmental Politics*, vol. 8, No. 3 (August 2008).

possible only if it is accompanied by strong communication, advocacy and investment in institutional and human resources capacity-building. Institutional change and adaptation will need to focus on people, their values, shifting interests and cultural underpinning.

V. Way forward

79. On the basis of the preceding analysis, the following conclusions can be drawn:

(a) Transformation of existing governance mechanisms and structures at all levels will be needed to enable institutions to support policy coherence and integration across all dimensions of sustainable development in the post-2015 context and implement a universal agenda;

(b) To address the complexities of dealing with the post-2015 development agenda, institutions would need to be multidisciplinary, participatory, collaborative, transparent, accountable, willing and agile so as to be adaptable to evolving circumstances;

(c) Institutional innovation will be critical to make policy integration work in practice and should go in the direction of more flexible, dynamic, horizontal and participatory arrangements and processes that can fill existing representational, regulatory and implementation gaps;

(d) Government ownership and transformational leadership are critical to initiating institutional change, which should be accompanied by supportive organizational processes and structures to be sustainable;

(e) New and effective governance structures should facilitate multi-stakeholder engagement in the various stages of policymaking in order to pool the knowledge, skills and resources needed to deliver on policies and services;

(f) Changes in norms, rules and regulations will be needed to make it possible for existing institutions to work within and across organizational limits;

(g) Institutional and human resource capacities would be needed to ensure that government agencies effectively engage and manage complex, multilayered partnerships with other stakeholders, including government units, the private sector and civil society actors, in ways that build trust and accountability for results;

(h) Building the capacity of other stakeholders to engage with the post-2015 development agenda and with the Government would be essential to ensuring that all partners are competent and understand their responsibilities and value added in the development process. Strong communication, government leadership and effective mechanisms to manage collaboration should accompany these efforts;

(i) Building institutional capacity to strengthen management of the sustainable development process should be a key focus of development cooperation. Sharing knowledge, experiences and lessons through such key global mechanisms as the Development Cooperation Forum of the Economic and Social Council, could further support such efforts;

(j) Global institutions will have to play a greater role in increasing collective action to address regulatory and policy gaps in sustainable development governance and put in place inclusive and balanced systems of governance;

(k) Regional institutions would need to go beyond information and knowledge exchange and provide support for monitoring and implementation, promoting regional policy coherence for sustainable development;

(l) Institutional innovation at the national, global and regional levels would be needed to bridge existing institutional gaps across the dimensions of sustainable development and levels of governance. Global forums such as the Economic and Social Council and the high-level political forum on sustainable development could provide a venue for sharing experiences and lessons learned among a cross-section of stakeholders;

(m) There is need to strengthen institutional research to deepen understanding of how institutions work across all dimensions of sustainable development.